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**WATER/FLC/JPT/MXK/SHI:jlj**

**AGENDA ITEM #5053**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
Water Branch**

**RESOLUTION NO. W-4571  
November 18, 2005**

**R E S O L U T I O N**

**(RES. W-4571), DEL ORO WATER COMPANY, PARADISE PINES DISTRICT (Paradise Pines). ORDER AUTHORIZING A WATER QUANTITY SURCHARGE PRODUCING AN INCREASE IN REVENUE OF \$35,115 OR 2.38% TO RECOVER THE UNDER-COLLECTION REFLECTED IN THE PURCHASED WATER MEMORANDUM ACCOUNT.**

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**SUMMARY**

By Advice Letter No. 141, filed on July 6, 2005, Paradise Pines seeks reimbursement of 2004 purchased water expense in the amount of \$35,115 through a temporary quantity surcharge. This resolution grants Paradise Pines' request for authority to impose a quantity surcharge of \$0.059 per 100 cubic feet (Ccf) on each customer for 12 consecutive months or until the 2004 purchased water expense of \$35,115 is reimbursed. Paradise Pines seeks to revise its tariff schedule PP-1A, Annual General Metered Service, to provide an increase in revenues of \$35,115 or 2.38% to reflect purchased water expense for 2004. This increase will not result in earnings in excess of the authorized rate of return.

**BACKGROUND**

Del Oro Water Company is a Class B water utility providing service to approximately 4634 metered rate connections in its Paradise Pines District located in Butte County.

The rates governing calendar year 2004 became effective on June 6, 2002, pursuant to Res. W-4333, which authorized a general rate increase to provide an estimated 9.97% rate of return on rate base. Paradise Pines' present rates became effective on May 5, 2005 pursuant to Res. W-4533, which authorized a general rate increase of \$97,540 or 7.07% and a rate of return on rate base of 8.42%. For

calendar year 2004, however, the governing rate of return remains that stated in Res. W-4333.

DOWC-PPD requested authority under General Order 96-A and Section 454 of the Public Utilities Code to adjust rates to recover the cost of purchased water recorded in the Purchased Water Memorandum Account. DOWC-PPD was authorized to establish a purchased water memorandum account in Res. W-4341 in order to record the actual purchased water expense.

DOWC-PPD obtains its main water supply from a series of five wells located in its service area. During periods of peak water usage from July to October in 2004, supplemental water was purchased from DOWC's Stirling Bluffs District to meet demand. As a portion of the purchased water from Stirling Bluffs was actually resold to DOWC's Magalia District, only the net water purchase cost is included in the present reimbursement request.

### **NOTICE AND PROTESTS**

A notice of the proposed rate increase was published in the October 1, 2005 edition of the Paradise Post in Paradise. There were no protests.

### **DISCUSSION**

Paradise Pines proposes a surcharge of \$0.059 per Ccf to its quantity rate on each customer for 12 consecutive months in order to recover the purchased water expense incurred in 2004. Based on an annual adopted quantity of 594,000 Ccf in water sales, this temporary surcharge will produce an estimated additional \$35,115 in revenues over a period of 12 months from the date that this resolution is adopted or until the 2004 purchased water expense of \$35,115 is reimbursed. The increase in purchased water expense has been applied to the quantity portion of the rates, since all variable costs should be collected in the quantity charge. The authorized rate of return of 9.97% applicable to 2004 as promulgated in Res. W-4333 will not be exceeded as a result of this surcharge. The Branch analyzed Paradise Pines' request and supporting work papers, and concurred with Paradise Pines' estimates.

Paradise Pines' service is satisfactory. There are no Commission orders requiring system improvements, nor are there any service problems requiring corrective action.

Paradise Pines should continue making reasonable attempts to improve system efficiency and reduce losses. This may eliminate the need for purchased water in the future.

Paradise Pines' present rate structure consists of one schedule: No. PP-1A, Annual General Metered Service. At the requested rates, a purchased water surcharge of \$0.059 per Ccf will be added to each customer's bill. Using the latest rates stated in Res. W-4533 as the starting point, the monthly bill for a 5/8 x 3/4-inch metered customer using 10 Ccf per month will increase from \$25.76 to \$26.35 or an increase of 2.3%. Likewise for a 1-inch metered customer using 15 Ccf, the monthly bill will increase from \$50.14 to \$51.02, or an increase of 1.8%.

### **COMPLIANCE**

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual as required.

### **FINDINGS**

1. Del Oro Water Company's Paradise Pines District was authorized to establish a purchased water memorandum account in Res. W-4341 and record the actual purchased water expense.
2. Del Oro Water Company's Paradise Pines District seeks to recover \$35,115, representing purchased water expense in calendar year 2004 as recorded in its purchased water memorandum account.
3. These water purchases were reasonable and required to meet summer peak demand.
4. The surcharge recommended by the Branch is reasonable and should be authorized.

5. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).

**THEREFORE IT IS ORDERED THAT:**

1. Del Oro Water Company's Paradise Pines District is authorized to make effective the revised rate Schedule PP-1A, Annual General Metered Service, attached to Advice Letter No. 141 and concurrently to cancel its presently effective rate schedule. The effective date of the schedule shall be made five days after the date of this resolution.
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 18, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director